

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended December 31, 2006

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Hampton	County Bay
Audit Date December 31, 2006	Opinion Date January 22, 2007	Date Accountant Report Submitted to State: January 22, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	4
Government-wide Statement of Activities	5
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8-9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Notes to Financial Statements	11-19
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	20-21
Budgetary Comparison Schedule – Downtown Development Authority Fund	22
Other Supporting Information:	
General Fund Revenues by Detailed Account	23
General Fund Expenditures by Detailed Account	24-29
Combining Balance Sheet – All Special Revenue Funds	30
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All Special Revenue Funds	31
Combining Balance Sheet – All Debt Service Funds	32
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All Debt Service Funds	33
Balance Sheet – 2006 G.O. Limited Tax Bonds Construction Fund	34
Statement of Revenues, Expenditures and Changes in Fund Balance – 2006 G.O. Limited Tax Bonds Constructions Fund	35
Combining Balance Sheet – All Agency Funds	36

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	37
Current Tax Collection Fund Schedule of Cash Receipts and Disbursements	38
Agency Fund Schedule of Cash Receipts and Disbursements	39

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

January 22, 2007

To the Township Board
Charter Township of Hampton
Bay County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Charter Township of Hampton, Bay County, Michigan as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charter Township of Hampton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Charter Township of Hampton, Bay County, Michigan as of December 31, 2006, and the respective changes in financial position, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2006

The Management's Discussion and Analysis report for the Charter Township of Hampton covers the Township's financial performance during the year ended December 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained approximately the same over the last year. Net assets at 12/31/2006 totaled \$3,267,312.65 for all funds. Overall total net assets decreased by \$277,739.35 for the year 2006.

General Fund revenues were \$4,103,954.73 and General Fund expenditures were \$3,824,733.27.

Taxable value was \$426,019,789.00.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenditures regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has Governmental Funds. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year the Township blacktopped two and three quarter (2 ¾) miles of roadway as well as chip and sealing another six (6) miles of township roadway at a cost of \$282,159.84 with a specially voted millage. The Township recognized a \$50,000.00 State grant for the development of a Nature Trail of which the township matched with in-kind services. The Township also recognized a \$114,156.00 grant for the Fire Department for the purchase of SCBA gear and an \$8,000.00 grant from a local business for the Police Department to purchase radar equipment. The Township purchased \$44,411.52 worth of equipment for the Township and continued to upgrade our campground at the Finn Road Park and our other parks with General Fund millage.

Our external debt for the Rosemary Court General Obligation Limited Tax Bonds has been satisfied, although the Township did pledge its good faith and credit towards the Downtown Development Authority (Center Avenue Beautification Project) General Obligation Limited Tax Bonds.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township services with the exception of the blacktopping of the roads. The most significant costs to the Township are the Department of Public Works (which consists of our parks, landfill, water and sewer departments), the Police Department and the Fire Department.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$153,707.32 in capital assets.

The Township's governmental activities sold \$975,000.00 of new bonds and paid off \$13,500.00 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is much clouded and it represents a significant portion of our income. We continue to grow in taxable value with no demand for infrastructure.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Supervisor, Township Treasurer or Township Clerk at 989-893-7541 or e-mail us through our website at www.hamptontownship.org.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
December 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	1 154 711 95
Cash on hand	665 00
Investments	2 497 995 79
Taxes receivable	1 893 549 58
Accounts receivable	<u>240 546 26</u>
Total Current Assets	<u>5 787 468 58</u>
NON-CURRENT ASSETS:	
Capital Assets	4 821 414 26
Less: Accumulated Depreciation	<u>(2 779 293 15)</u>
Total Non-current Assets	<u>2 042 121 11</u>
TOTAL ASSETS	<u><u>7 829 589 69</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	487 794 21
Deposits	36 224 10
Deferred revenue	<u>2 888 783 03</u>
Total Current Liabilities	<u>3 412 801 34</u>
NON-CURRENT LIABILITIES:	
Bonds payable	975 000 00
Accrued compensated absences	<u>174 475 70</u>
Total Non-current Liabilities	<u>1 149 475 70</u>
Total Liabilities	<u>4 562 277 04</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	2 042 121 11
Reserved	970 184 02
Unrestricted	<u>255 007 52</u>
Total Net Assets	<u>3 267 312 65</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>7 829 589 69</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended December 31, 2006

		Program Revenue		Governmental Activities
				Net (Expense)
			Operating Grants -	Revenue and
	Expenses	Charges for Services	Contributions	Changes in Net Assets
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Legislative	81 691 56	-	-	(81 691 56)
General government	621 979 59	104 621 24	-	(517 358 35)
Public safety	1 765 042 39	58 338 73	111 438 79	(1 595 264 87)
Public works	1 300 485 54	487 912 73	-	(812 572 81)
Recreation and culture	154 624 73	73 621 00	-	(81 003 73)
Other	935 736 27	-	-	(935 736 27)
Interest on long-term debt	119 75	-	-	(119 75)
Total Governmental Activities	4 859 679 83	724 493 70	111 438 79	(4 023 747 34)
General Revenues:				
Property taxes				2 724 594 35
State revenue sharing				771 921 64
Interest				172 674 52
Miscellaneous				76 817 48
Total General Revenues				3 746 007 99
Change in net assets				(277 739 35)
Net assets, beginning of year				3 545 052 00
Net Assets, End of Year				3 267 312 65

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2006

	<u>General</u>	<u>Downtown Development Authority</u>	<u>2006 G.O Limited Tax Bond Construction</u>	<u>Other Funds</u>
<u>Assets</u>				
Cash in bank	843 406 64	226 510 60	-	80 794 61
Cash on hand	665 00	-	-	-
Investments	579 592 54	78 199 06	970 305 77	117 502 70
Accounts receivable	240 546 26	-	-	-
Due from other funds	<u>2 390 692 78</u>	<u>85 230 99</u>	<u>-</u>	<u>285 545 73</u>
Total Assets	<u>4 054 903 22</u>	<u>389 940 65</u>	<u>970 305 77</u>	<u>483 843 04</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	486 634 14	-	-	1 160 07
Deposits	36 224 10	-	-	-
Due to other funds	-	-	2 184 07	109 340 03
Deferred revenue – water	104 831 45	-	-	-
Deferred revenue – property taxes	2 372 761 32	125 011 39	-	283 461 66
Deferred revenue – other	<u>2 717 21</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3 003 168 22</u>	<u>125 011 39</u>	<u>2 184 07</u>	<u>393 961 76</u>
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	-	2 062 32
Reserved for construction	-	-	968 121 70	-
Unreserved:				
Undesignated	1 051 735 00	264 929 26	-	87 818 96
Total fund equity	<u>1 051 735 00</u>	<u>264 929 26</u>	<u>968 121 70</u>	<u>89 881 28</u>
Total Liabilities and Fund Equity	<u>4 054 903 22</u>	<u>389 940 65</u>	<u>970 305 77</u>	<u>483 843 04</u>

The accompanying notes are an integral part of these financial statements.

Total

1 150 711 85

665 00

1 745 600 07

240 546 26

2 761 469 50

5 898 992 68

487 794 21

36 224 10

111 524 10

104 831 45

2 781 234 37

2 717 21

3 524 325 44

2 062 32

968 121 70

1 404 483 22

2 374 667 24

5 898 992 68

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
December 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	2 374 667 24
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	4 821 414 26
Accumulated depreciation	(2 779 293 15)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds payable	(975 000 00)
Accrued compensated absences	<u>(174 475 70)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>3 267 312 65</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS

Year ended December 31, 2006

	<u>General</u>	<u>Downtown Development Authority</u>	<u>2006 G.O. Limited Tax Bond Construction</u>	<u>Other Funds</u>
Revenues:				
Property taxes	2 317 071 29	132 746 29	-	274 776 77
Licenses and permits	104 621 24	-	-	58 338 73
Federal grant	111 438 79	-	-	-
State revenue sharing	771 921 64	-	-	-
Charges for services	474 398 59	-	-	-
Interest	125 982 73	26 165 40	-	20 526 39
Special assessments	-	-	-	13 514 14
Miscellaneous	<u>198 520 45</u>	<u>3 126 00</u>	<u>-</u>	<u>-</u>
Total revenues	<u>4 103 954 73</u>	<u>162 037 69</u>	<u>-</u>	<u>367 156 03</u>
Expenditures:				
Legislative:				
Township Board	81 691 56	-	-	-
General government:				
Supervisor	62 690 67	-	-	-
Elections	10 539 31	-	-	-
Accounting department	163 422 48	-	21 75	21 75
Assessor	146 350 30	-	-	-
Attorney	14 234 71	-	-	-
Consultant	11 229 95	-	-	-
Clerk	64 856 51	-	-	-
Geographic information system	3 687 36	-	-	-
Board of Review	1 983 72	-	-	-
Treasurer	71 681 44	-	-	-
Township hall and grounds	27 091 36	-	-	-
Citizens community building	22 073 97	-	-	-
Public relations	2 778 08	-	-	-
Public safety:				
Police department	858 002 17	-	-	-
Fire department	691 765 74	-	-	-
Building inspection	-	-	-	132 456 44
Planning Commission	9 657 40	-	-	-
Board of Appeals	2 475 70	-	-	-
Public works:				
Department of Public Works	554 894 71	-	-	-
Drains	17 770 39	-	-	-
Highways and streets	1 144 80	-	-	282 149 54
Street lighting	98 627 48	-	-	-
Sanitation	107 878 64	-	-	-
Sewer	110 460 73	-	-	-
Water	95 062 61	-	-	-

The accompanying notes are an integral part of these financial statements.

Total

2 724 594 35
162 959 97
111 438 79
771 921 64
474 398 59
172 674 52
13 514 14
201 646 45

4 633 148 45

81 691 56

62 690 67
10 539 31
163 465 98
146 350 30
14 234 71
11 229 95
64 856 51
3 687 36
1 983 72
71 681 44
27 091 36
22 073 97
2 778 08

858 002 17
691 765 74
132 456 41
9 657 40
2 475 70

554 894 71
17 770 39
283 294 34
98 627 48
107 878 64
110 460 73
95 062 61

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS

Year ended December 31, 2006

	<u>General</u>	<u>Downtown Development Authority</u>	<u>2006 G.O. Limited Tax Bond Construction</u>	<u>Other Funds</u>
Recreation and culture:				
Recreation – parks	98 591 17	-	-	-
Recreation – parks – other	31 976 60	-	-	-
Rail Trail	927 96	-	-	-
Other functions:				
Downtown Development Authority	-	628 257 84	-	-
Insurance	108 242 63	-	-	-
Hospitalization	199 235 80	-	-	-
Capital outlay	153 707 32	-	-	-
Debt service	-	-	-	13 619 75
Total expenditures	<u>3 824 733 27</u>	<u>628 257 84</u>	<u>21 75</u>	<u>428 247 45</u>
Excess (deficiency) of revenues over expenditures	279 221 46	(466 220 15)	(21 75)	(61 091 42)
Other financing sources (uses):				
Bond proceeds	-	-	968 143 45	-
Operating transfers in	-	-	-	31 000 00
Operating transfers out	(31 000 00)	-	-	-
Total other financing sources (uses)	<u>(31 000 00)</u>	<u>-</u>	<u>968 143 45</u>	<u>31 000 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	248 221 46	(466 220 15)	968 121 70	(30 091 42)
Fund balances, January 1	<u>803 513 54</u>	<u>731 149 41</u>	<u>-</u>	<u>119 972 70</u>
Fund Balances, December 31	<u>1 051 735 00</u>	<u>264 929 26</u>	<u>968 121 70</u>	<u>89 881 28</u>

The accompanying notes are an integral part of these financial statements.

Total

98 591 17
31 976 60
927 96

628 257 84
108 242 63
199 235 80
153 707 32
13 619 75

4 881 260 31

(248 111 86)

968 143 45
31 000 00
(31 000 00)
968 143 45

720 031 59

1 654 635 65

2 374 667 24

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended December 31, 2006

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 720 031 59

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(145 626 84)
Capital Outlay	153 707 32

Receipt of debt proceeds is a financing source in the governmental funds, the receipt
does not have an effect in the statement of activities but does increase the debt
balance in the statement of net assets.

Bond proceeds	(975 000 00)
Accrued compensated absences	(44 351 42)

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	
Bonds payable	<u>13 500 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(277 739 35)</u></u>
---	----------------------------

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Hampton, Bay County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds and component units that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Charter Township of Hampton. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General and Special Revenue Funds

The General Fund, the Road Fund, the Downtown Development Authority Fund and the Building Department Fund, receive and account for the monies collected to provide the general governmental services of the Township. The General Fund is used to account for all transactions not properly accounted for in any other fund. The Road Fund accounts for property taxes levied for the Township road maintenance. The Downtown Development Authority is a separate component unit that is an integral part of the Charter Township of Hampton and it is therefore reported under the blending method as a special revenue fund that was established pursuant to Act 197 of the Public Acts of 1975, to promote economic growth within the Township. The Building Department Fund accounts for building permits and the related expenses.

Debt Service Funds

The Rosemary Court Debt Service Fund and the 2006 General Obligation Limited Tax Bond Debt Service Fund were established to collect revenues to meet the payments of the debts. Amounts are levied each year in sufficient amounts to meet the required payments and are deposited in the funds as collected. Subsequently, the principal and interest payments are made when due. Interest earned on temporary investment of these monies is retained within the fund.

Capital Projects Fund

The 2006 General Obligation Limited Tax Bond Construction Fund was established to account for the bond proceeds used for project construction.

Agency Funds

The Current Tax Collection Fund and the Agency Fund have been established to account for monies which are held by the Township as agent for other governmental entities, funds or individuals. The Current Tax Collection Fund receives tax collections and disburses the amount collected to the proper fund or governmental entity. The Agency Fund receives delinquent property taxes and mobile home court fees and disburses these to the proper fund or governmental entity. These funds do not have revenues, expenditures or fund balances because by their nature their assets always equal their liabilities.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

All purchases of materials are reflected in expenses when paid in all funds.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2005 tax roll millage rate was 5.65 mills, and the taxable value was \$426,019,789.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	15-50 years
Vehicles and equipment	3-25 years

Compensated Absences (Vacation and Sick Leave)

The estimated current portion of the liability for vacation and sick leave benefits attributable to the Township's governmental funds is recorded as an expenditure and liability in the respective funds. Employees may accumulate an unlimited number of days of vacation leave and are paid for unused sick leave upon termination of employment.

Post-employment Benefits

The Township provides health care benefits to retirees in accordance with labor contracts. Expenditures for post-employment health care benefits are recognized as the insurance premiums become due. These benefits are paid from the General Fund and were \$199,235.80 during the year ended December 31, 2006.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated nine banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 154 711 95</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	907 379 38
Uninsured and Uncollateralized	<u>248 332 57</u>
Total Deposits	<u>1 155 711 95</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-risk-Categorized: Financial Institution Pooled Funds				<u>2 902 239 04</u>
Total Investments				<u>2 902 239 04</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 1/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/06</u>
<u>Governmental Activities:</u>				
Land and improvements	1 283 195 20	-	-	1 283 195 20
Buildings and improvements	974 162 00	-	-	974 162 00
Vehicles and equipment	<u>2 410 349 74</u>	<u>153 707 32</u>	-	<u>2 564 057 06</u>
Total	4 667 706 94	153 707 32	-	4 821 414 26
Accumulated Depreciation	<u>(2 633 666 31)</u>	<u>(145 626 84)</u>	-	<u>(2 779 293 15)</u>
Net Capital Assets	<u><u>2 034 040 63</u></u>	<u><u>8 080 48</u></u>	<u>-</u>	<u><u>2 042 121 11</u></u>

Note 5 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	2 390 692 78	Building	109 240 03
		Agency	4 000 10
		Current Tax Collection	<u>2 277 452 65</u>
	<u>2 390 692 78</u>		<u>2 390 692 78</u>
Downtown Development Authority	85 230 99	Current Tax Collection	85 030 99
		2006 G.O. Limited Tax Bond Debt Service	100 00
		2006 G.O. Limited Tax Bond Construction	<u>100 00</u>
	<u>85 230 99</u>		<u>85 230 99</u>
Road	<u>283 461 66</u>	Current Tax Collection	<u>283 461 66</u>
2006 G.O. Limited Tax Bonds Debt Service	<u>2 084 07</u>	2006 G.O. Limited Tax Bonds Construction	<u>2 084 07</u>
Total	<u><u>2 761 469 50</u></u>	Total	<u><u>2 761 469 50</u></u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 6 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 1/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/06</u>
2006 General Obligation Tax Bonds	-	975 000 00	-	975 000 00
Rosemary Court general obligation limited tax bonds	13 500 00	-	13 500 00	-
Accumulated vacation and sick pay	<u>130 124 28</u>	<u>44 351 42</u>	<u>-</u>	<u>174 475 70</u>
Total	<u><u>143 624 28</u></u>	<u><u>1 019 351 42</u></u>	<u><u>13 500 00</u></u>	<u><u>1 149 475 70</u></u>

Note 7 – Rosemary Court General Obligation Limited Tax Bonds

On October 2, 1996, the Charter Township of Hampton issued \$151,860.00 of bonds for the purpose of constructing street improvements, storm sewer, sanitary sewer and a water main along Rosemary Court. The entire cost of the principal and interest on the bonds has been assessed against the individual properties through the Rosemary Court special assessment district. The bonds were paid in full during 2006.

Note 8 – 2006 General Obligation Limited Tax Bonds

On December 20, 2006, the Township sold \$975,000.00 of its bonds to provide funds to pay a portion of the cost of certain capital improvements within the downtown area of the township, including the relocation of utility lines and related utility apparatus and equipment and the acquisition and construction of streetscape improvements, including sidewalks, together with related improvements and appurtenances relating thereto and to pay costs incidental to the issuance of the bonds.

The bond principal interest is payable from the general funds of the Township, and the Township is required, if necessary, to levy ad valorem taxes on all taxable property in the Township for the payment thereof, subject to applicable constitutional, statutory and charter tax rate limitations.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 8 – 2006 General Obligation Limited Tax Bonds (continued)

As of December 31, 2006, the principal balance outstanding was \$975,000.00 and it is payable as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
5/1/07			\$16 453 12	\$16 453 12
11/1/07	\$ 30 000 00	4.000%	19 743 75	49 743 75
5/1/08			19 143 75	19 143 75
11/1/08	30 000 00	4.000	19 143 75	49 143 75
5/1/09			18 543 75	18 543 75
11/1/09	35 000 00	4.000	18 543 75	53 543 75
5/1/10			17 843 75	17 843 75
11/1/10	35 000 00	4.000	17 843 75	52 843 75
5/1/11			17 143 75	17 143 75
11/1/11	35 000 00	4.000	17 143 75	52 143 75
5/1/12			16 443 75	16 443 75
11/1/12	40 000 00	4.000	16 443 75	56 443 75
5/1/13			15 643 75	15 643 75
11/1/13	40 000 00	4.000	15 643 75	55 643 75
5/1/14			14 843 75	14 843 75
11/1/14	40 000 00	4.000	14 843 75	54 843 75
5/1/15			14 043 75	14 043 75
11/1/15	45 000 00	4.000	14 043 75	59 043 75
5/1/16			13 143 75	13 143 75
11/1/16	45 000 00	4.000	13 143 75	58 143 75
5/1/17			12 243 75	12 243 75
11/1/17	50 000 00	4.000	12 243 75	62 243 75
5/1/18			11 243 75	11 243 75
11/1/18	50 000 00	4.000	11 243 75	61 243 75
5/1/19			10 243 75	10 243 75
11/1/19	55 000 00	4.000	10 243 75	65 243 75
5/1/20			9 143 75	9 143 75
11/1/20	55 000 00	4.000	9 143 75	64 143 75
5/1/21			8 043 75	8 043 75
11/1/21	60 000 00	4.125	8 043 75	68 043 75
5/1/22			6 806 25	6 806 25
11/1/22	60 000 00	4.125	6 806 25	66 806 25
5/1/23			5 568 75	5 568 75
11/1/23	65 000 00	4.125	5 568 75	70 568 75
5/1/24			4 228 13	4 228 13
11/1/24	65 000 00	4.125	4 228 13	69 228 13
5/1/25			2 887 50	2 887 50
11/1/25	70 000 00	4.125	2 887 50	72 887 50
5/1/26			1 443 75	1 443 75
11/1/26	<u>70 000 00</u>	4.125	<u>1 443 75</u>	<u>71 443 75</u>
Totals	<u>\$975 000 00</u>		<u>\$473 490 63</u>	<u>\$1 448 490 63</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 9 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 10 – Retirement Plan

The Township has a defined contribution pension plan that covers all Township Board members and full-time employees of the Township. The Township's current year covered payroll was \$1,559,153.95 and its total current year payroll for all employees was \$1,717,422.95. The plan was established under Act 27, P.A. 1960 and Township ordinances 24 and 24.1. All full-time employees who work over 30 hours per week plus Township Board members are covered under the plan. The Township contributes 10% to 15% of each employee's compensation and the employee can contribute additional amounts. All participants covered are immediately vested. The Township's contribution requirement for the year ended December 31, 2006, was \$233,711.07 which was entirely paid during the year. This contribution represents 14.99% of the current year covered payroll. Employee contributions for the year ended December 31, 2006, were \$108,647.26 which was entirely paid during the year. This represents 6.97% of the current year covered payroll.

Note 11 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 12 – Reserved Fund Balances

The fund balance in the Debt Service Fund includes a reservation for the retirement of long-term debt.

The fund balance in the Construction Fund includes a reservation for future construction.

Note 13 – Building Permits

As of December 31, 2006, the Township had building permit revenues of \$68,026.52 and building permit expenses of \$132,456.41.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	2 355 194 00	2 355 194 00	2 317 071 29	(38 122 71)
Licenses and permits	85 000 00	85 000 00	104 621 24	19 621 24
Federal grant	-	114 156 00	111 438 79	(2 717 21)
State revenue sharing	736 835 00	786 835 00	771 921 64	(14 913 36)
Charges for services	208 850 00	208 850 00	474 398 59	265 548 59
Interest	82 500 00	82 500 00	125 982 73	43 482 73
Miscellaneous	68 135 00	68 135 00	198 520 45	130 385 45
Total revenues	3 536 514 00	3 700 670 00	4 103 954 73	403 284 73
Expenditures:				
Legislative:				
Township Board	87 023 00	89 123 00	81 691 56	(7 431 44)
General government:				
Supervisor	62 130 00	63 034 00	62 690 67	(343 33)
Elections	11 700 00	11 700 00	10 539 31	(1 160 69)
Accounting department	163 112 00	166 813 00	163 422 48	(3 390 52)
Assessor	138 035 00	147 312 00	146 350 30	(961 70)
Attorney	35 000 00	26 215 00	14 234 71	(11 980 29)
Consultant	20 000 00	20 000 00	11 229 95	(8 770 05)
Clerk	65 841 00	65 841 00	64 856 51	(984 49)
Geographic information system	11 100 00	11 100 00	3 687 36	(7 412 64)
Board of Review	1 790 00	2 790 00	1 983 72	(806 28)
Treasurer	61 480 00	72 410 00	71 681 44	(728 56)
Township hall and grounds	42 019 00	42 519 00	27 091 36	(15 427 64)
Citizens community building	45 499 00	27 809 00	22 073 97	(5 735 03)
Public relations	1 500 00	2 810 00	2 778 08	(31 92)
Public safety:				
Police department	884 560 00	872 180 00	858 002 17	(14 177 83)
Fire department	736 900 00	737 435 00	691 765 74	(45 669 26)
Planning Commission	13 620 00	13 520 00	9 657 40	(3 862 60)
Board of Appeals	6 400 00	6 500 00	2 475 70	(4 024 30)
Public works:				
Department of Public Works	524 550 00	577 655 00	554 894 71	(22 760 29)
Drains	20 500 00	20 500 00	17 770 39	(2 729 61)
Highways and streets	30 000 00	30 000 00	1 144 80	(28 855 20)
Engineering	25 000 00	20 690 00	-	(20 690 00)
Street lighting	96 000 00	99 000 00	98 627 48	(372 52)
Sanitation	114 855 00	114 855 00	107 878 64	(6 976 36)
Sewer	111 905 00	111 905 00	110 460 73	(1 444 27)
Water	93 515 00	95 136 00	95 062 61	(73 39)
Recreation and culture:				
Recreation – parks	34 270 00	101 270 00	98 591 17	(2 678 83)
Recreation – parks – other	8 300 00	28 300 00	31 976 60	(26 323 40)
Rail Trail	2 600 00	2 279 00	927 96	(1 351 04)

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Expenditures: (continued)				
Other functions:				
Insurance	130 000 00	130 000 00	108 242 63	(21 757 37)
Hospitalization	200 000 00	200 460 00	199 235 80	(1 224 20)
Contingency	344 007 00	353 468 00	-	(353 468 00)
Capital outlay	<u>74 500 00</u>	<u>178 555 00</u>	<u>153 707 32</u>	<u>(24 847 68)</u>
Total expenditures	<u>4 197 711 00</u>	<u>4 473 184 00</u>	<u>3 824 733 27</u>	<u>(648 450 73)</u>
Excess (deficiency) of revenues over expenditures	<u>(661 197 00)</u>	<u>(772 514 00)</u>	<u>279 221 46</u>	<u>1 051 735 46</u>
Other financing sources (uses):				
Operating transfers out	<u>-</u>	<u>(31 000 00)</u>	<u>(31 000 00)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(31 000 00)</u>	<u>(31 000 00)</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	(661 197 00)	(803 514 00)	248 221 46	1 051 735 46
Fund balances, January 1	<u>661 197 00</u>	<u>803 514 00</u>	<u>803 513 54</u>	<u>(46)</u>
Fund Balances, December 31	<u>-</u>	<u>-</u>	<u>1 051 735 00</u>	<u>1 051 735 00</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – DOWNTOWN DEVELOPMENT AUTHORITY FUND
Year ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	133 319 00	133 319 00	132 746 29	(572 71)
Interest	1 000 00	1 000 00	26 165 40	25 165 40
Miscellaneous	<u>-</u>	<u>-</u>	<u>3 126 00</u>	<u>3 126 00</u>
Total revenues	<u>134 319 00</u>	<u>134 319 00</u>	<u>162 037 69</u>	<u>27 718 69</u>
Expenditures:				
Other functions:				
Downtown Development Authority	<u>821 533 00</u>	<u>865 468 00</u>	<u>628 257 84</u>	<u>(237 210 16)</u>
Total expenditures	<u>821 533 00</u>	<u>865 468 00</u>	<u>628 257 84</u>	<u>(237 210 16)</u>
Excess (deficiency) of revenues over expenditures	(687 214 00)	(731 149 00)	(466 220 15)	264 928 85
Fund balance, January 1	<u>687 214 00</u>	<u>731 149 00</u>	<u>731 149 41</u>	<u>41</u>
Fund Balance, December 31	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>264 929 26</u></u>	<u><u>264 929 26</u></u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GENERAL FUND REVENUES BY DETAILED ACCOUNT
Year ended December 31, 2006

Revenues:

Property taxes:

Current year's tax levy	2 095 196 29
Administration fees	202 654 71
P.I.L.O.T.	19 220 29
	<u>2 317 071 29</u>

Licenses and permits:

Mobile home court fees	2 121 50
Cable T.V. fees	83 547 88
Ordinance fees	15 601 86
Other permits	3 350 00
	<u>104 621 24</u>

Federal grant

111 438 79

State revenue sharing:

Revenue sharing	714 173 53
State grant	52 139 21
Liquor license fees	5 608 90
	<u>771 921 64</u>

Charges for services:

Frontage and tap on fees	47 035 00
Service charges on billings	110 679 81
Sewer and Water Reserve	179 792 13
Penalties – Water and Sewer	21 864 43
Sales – bulk water	2 250 39
Charges for services – sewer	66 249 83
Charges for services – miscellaneous	24 477 00
Charges for other units	22 050 00
	<u>474 398 59</u>

Interest

125 982 73

Miscellaneous:

Hall rental	3 890 00
Park	73 621 00
Duplicating copies	2 941 09
Royalties	3 521 73
Other	114 546 63
	<u>198 520 45</u>

Total Revenues

4 103 954 73

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended December 31, 2006

Township Board:

Trustee fees	27 004 20
Social security tax	2 065 92
Group health insurance	16 620 40
Group life insurance	577 64
Retirement fund contribution	4 050 24
Miscellaneous	3 514 66
Audit fees	15 560 00
Memberships and dues	7 566 44
Printing and publishing	4 261 06
Travel	471 00
	<u>81 691 56</u>

Supervisor:

Salaries	47 707 51
Social security tax	3 650 10
Group health insurance	1 000 00
Sickness and accident insurance	631 81
Memberships and dues	299 00
Group life insurance	130 23
Retirement fund contribution	6 802 10
Travel and education	2 469 92
	<u>62 690 67</u>

Elections:

Salaries	7 678 88
Office supplies	2 860 43
	<u>10 539 31</u>

Accounting department:

Salaries	91 164 80
Social security tax	6 965 11
Unemployment insurance	337 50
Sick and accident insurance	1 314 11
Group health insurance	23 749 83
Group life insurance	236 35
Retirement fund contribution	13 036 45
Travel	139 86
Office supplies	9 987 85
Telephone	2 446 79
Contracted services	12 927 46
Miscellaneous	1 116 37
	<u>163 422 48</u>

Assessor:

Salaries	96 355 77
Social security tax	7 371 36
Unemployment insurance	202 50
Group health insurance	12 809 31
Sickness and accident insurance	920 75
Group life insurance	169 28
Retirement fund contribution	14 110 85
Office supplies	1 585 24

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended December 31, 2006

Assessor: (continued)	
Contracted services	2 935 00
Education	805 00
Travel	1 698 43
Memberships and dues	1 949 64
Tax roll preparation	5 437 17
	<u>146 350 30</u>
Attorney:	
Legal fees	<u>14 234 71</u>
Consultant:	
Professional fees	<u>11 229 95</u>
Clerk:	
Salaries	47 697 51
Social security tax	3 616 27
Group health insurance	4 964 93
Sickness and accident insurance	607 96
Group life insurance	125 76
Retirement fund contribution	7 193 66
Travel and education	625 42
Memberships and dues	25 00
	<u>64 856 51</u>
Geographic information system:	
Supplies	3 318 40
Contracted services	310 70
Miscellaneous	58 26
	<u>3 687 36</u>
Board of Review:	
Fees and per diem	770 00
Social security tax	58 92
Miscellaneous	1 154 80
	<u>1 983 72</u>
Treasurer:	
Salaries	47 707 51
Social security tax	3 648 05
Group health insurance	11 707 50
Sickness and accident insurance	449 04
Group life insurance	75 92
Retirement fund contribution	6 540 48
Memberships and dues	60 00
Travel and education	1 492 94
	<u>71 681 44</u>
Township hall and grounds:	
Salaries	8 551 82
Social security tax	648 75
Unemployment insurance	70 54
Operating supplies	1 284 26
Equipment maintenance	464 34
Utilities	12 945 64
Building maintenance	2 980 28
Miscellaneous	145 73
	<u>27 091 36</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended December 31, 2006

Citizens community building:	
Salaries	10 306 27
Social security tax	787 82
Unemployment insurance	67 50
Group health insurance	1 094 62
Building maintenance	2 818 90
Supplies	1 047 06
Equipment maintenance	274 00
Utilities	5 677 80
	<u>22 073 97</u>
Public relations:	
Community promotion	<u>2 778 08</u>
Police department:	
Salaries	517 399 53
Social security tax	39 388 98
Unemployment insurance	1 552 51
Group health insurance	127 035 86
Sickness and accident insurance	6 084 92
Group life insurance	1 097 49
Retirement fund contribution	72 316 99
Education	5 065 50
Operating supplies	19 657 65
Contracted services	5 944 81
Uniforms	5 909 89
Office supplies	2 659 43
Fuel	14 773 17
Auto parts and maintenance	6 371 98
Equipment maintenance	4 797 42
Memberships and dues	240 00
Telephone	3 173 50
Legal	11 516 86
Utilities	5 471 94
Building maintenance	2 002 22
Miscellaneous	5 541 52
	<u>858 002 17</u>
Fire department:	
Salaries – regular	409 880 42
Salaries – part-time	63 080 73
Social security tax	35 881 79
Unemployment insurance	945 00
Group health insurance	76 338 78
Sickness and accident insurance	4 046 92
Group life insurance	1 819 57
Retirement fund contribution	49 325 94
Education	2 874 19
Uniforms	3 273 73
Supplies	1 689 24
Operating supplies	10 684 17
Fuel	4 296 29
Equipment maintenance	5 966 19
Contracted services	2 340 15

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended December 31, 2006

Fire department: (continued)	
Memberships and dues	545 00
Telephone	3 614 11
Travel	2 078 81
Utilities	7 265 31
Building maintenance	3 815 78
Physicals	764 23
Miscellaneous	1 239 39
	<u>691 765 74</u>
Planning Commission:	
Fees and per diem	1 925 00
Social security tax	147 37
Office supplies	423 59
Memberships and dues	300 00
Legal fees	6 459 34
Printing and publishing	402 10
	<u>9 657 40</u>
Board of Appeals:	
Fees and per diem	840 00
Social security tax	64 29
Office supplies	113 21
Legal fees	1 058 20
Memberships and dues	400 00
	<u>2 475 70</u>
Department of Public Works:	
Salaries	320 624 11
Social security tax	24 562 95
Unemployment insurance	1 012 49
Group health insurance	69 109 86
Sickness and accident insurance	3 777 13
Group life insurance	913 20
Retirement fund contribution	45 222 54
Supplies	12 312 53
Education	307 00
Fuel	33 864 40
Travel	91 82
Uniforms	720 00
Contracted services	5 328 40
Telephone	1 371 01
Utilities	9 546 60
Building maintenance	3 703 57
Equipment maintenance	17 505 41
Dike maintenance	3 672 36
Miscellaneous	1 249 33
	<u>554 894 71</u>
Drains:	
Supplies	3 509 78
Contracted services	14 260 61
	<u>17 770 39</u>
Highways and streets:	
Road maintenance	<u>1 144 80</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended December 31, 2006

Street lighting:	
Utilities	<u>98 627 48</u>
Sanitation:	
Salaries	15 038 06
Social security tax	1 129 57
Unemployment insurance	135 00
Group health insurance	12 572 20
Sickness and accident insurance	197 39
Life insurance	105 59
Supplies	240 28
Contracted services	75 572 00
Telephone	267 82
Utilities	891 27
Repairs and maintenance	<u>1 729 46</u>
	<u>107 878 64</u>
Sewer:	
Wages	37 946 03
Social security tax	2 811 68
Group health insurance	14 814 11
Sickness and accident insurance	512 13
Unemployment insurance	135 00
Life insurance	133 23
Retirement fund contribution	4 944 78
Supplies	9 713 72
Contracted services	2 506 00
Utilities	32 023 75
Main maintenance	<u>4 920 30</u>
	<u>110 460 73</u>
Water:	
Wages	48 269 93
Social security tax	3 689 03
Group health insurance	12 398 60
Sickness and accident insurance	456 06
Unemployment insurance	135 00
Life insurance	130 23
Retirement fund contribution	6 429 84
Miscellaneous	5 628 94
Supplies	9 049 19
Contracted services	6 922 80
Utilities	<u>1 952 93</u>
	<u>95 062 61</u>
Recreation – parks:	
Salaries	5 720 00
Social security tax	437 58
Unemployment insurance	72 60
Supplies	9 694 29
Repairs and maintenances	63 718 68
Contracted services	687 00
Utilities	18 072 73
Miscellaneous	<u>188 29</u>
	<u>98 591 17</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended December 31, 2006

Recreation – parks – other:	
Supplies	27 234 93
Utilities	2 501 25
Contracted services	1 950 00
Miscellaneous	<u>290 42</u>
	<u>31 976 60</u>
Rail Trail:	
Miscellaneous	<u>927 96</u>
Insurance	<u>108 242 63</u>
Hospitalization	<u>199 235 80</u>
Capital outlay	<u>153 707 32</u>
Total Expenditures	<u><u>3 824 733 27</u></u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
December 31, 2006

	<u>Road</u>	<u>Downtown Development Authority</u>	<u>Building Department</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	79 556 29	226 510 60	-	306 066 89
Investments	-	78 199 06	117 502 70	195 701 76
Due from other funds	<u>283 461 66</u>	<u>85 230 99</u>	<u>-</u>	<u>368 692 65</u>
Total Assets	<u><u>363 017 95</u></u>	<u><u>289 940 65</u></u>	<u><u>117 502 70</u></u>	<u><u>870 461 30</u></u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	-	-	-	-
Due to other funds	-	-	109 240 03	109 240 03
Deferred revenue – property taxes	<u>283 461 66</u>	<u>125 011 39</u>	<u>-</u>	<u>408 473 05</u>
Total liabilities	<u><u>283 461 66</u></u>	<u><u>125 011 39</u></u>	<u><u>109 240 03</u></u>	<u><u>517 713 08</u></u>
Fund balances:				
Unreserved:				
Undesignated	<u>79 556 29</u>	<u>264 929 26</u>	<u>8 262 67</u>	<u>352 748 22</u>
Total fund balances	<u><u>79 556 29</u></u>	<u><u>264 929 26</u></u>	<u><u>8 262 67</u></u>	<u><u>352 748 22</u></u>
Total Liabilities and Fund Balances	<u><u>363 017 95</u></u>	<u><u>389 940 65</u></u>	<u><u>117 502 70</u></u>	<u><u>870 461 30</u></u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

Year ended December 31, 2006

	<u>Road</u>	<u>Downtown Development Authority</u>	<u>Building Department</u>	<u>Total</u>
Revenues:				
Property taxes	274 776 77	132 746 29	-	407 523 06
Licenses and permits	-	-	58 338 73	58 338 73
Interest	8 754 53	26 165 40	9 687 79	44 607 72
Miscellaneous	-	3 126 00	-	3 126 00
Total revenues	<u>283 531 30</u>	<u>162 037 69</u>	<u>68 026 52</u>	<u>513 595 51</u>
Expenditures:				
Public safety:				
Building inspection	-	-	132 456 41	132 456 41
Public works:				
Highways and streets	282 149 54	-	-	282 149 54
Other functions:				
Downtown Development Authority	-	628 257 84	-	628 257 84
Total expenditures	<u>282 149 54</u>	<u>628 257 84</u>	<u>132 456 41</u>	<u>1 042 863 79</u>
Excess (deficiency) of revenues over expenditures	<u>1 381 76</u>	<u>(466 220 15)</u>	<u>(64 429 89)</u>	<u>(529 268 28)</u>
Other financing sources (uses):				
Operating transfers in	-	-	31 000 00	31 000 00
Total other financing sources (uses)	-	-	31 000 00	31 000 00
Excess (deficiency) of revenues and other sources over expenditures and other uses	1 381 76	(466 220 15)	(33 429 89)	(498 268 28)
Fund balances, January 1	<u>78 174 53</u>	<u>731 149 41</u>	<u>41 692 56</u>	<u>851 016 50</u>
Fund Balances, December 31	<u><u>79 556 29</u></u>	<u><u>264 929 26</u></u>	<u><u>8 262 67</u></u>	<u><u>352 748 22</u></u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

COMBINING BALANCE SHEET – ALL DEBT SERVICE FUNDS
December 31, 2006

	<u>Rosemary Court</u>	<u>2006 G.O. Limited Tax Bond</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	1 160 07	78 25	1 238 32
Due from other units	<u>-</u>	<u>2 084 07</u>	<u>2 084 07</u>
Total Assets	<u>1 160 07</u>	<u>2 162 32</u>	<u>3 322 39</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	1 160 07	-	1 160 07
Due to other funds	<u>-</u>	<u>100 00</u>	<u>100 00</u>
Total liabilities	<u>1 160 07</u>	<u>100 00</u>	<u>1 260 07</u>
Fund balances:			
Reserved for debt service	<u>-</u>	<u>2 062 32</u>	<u>2 062 32</u>
Total fund balances	<u>-</u>	<u>2 062 32</u>	<u>2 062 32</u>
Total Liabilities and Fund Balances	<u>1 160 07</u>	<u>2 162 32</u>	<u>3 322 39</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
ALL DEBT SERVICE FUNDS
Year ended December 31, 2006

	<u>Rosemary Court</u>	<u>2006 G.O. Limited Tax Bond</u>	<u>Total</u>
Revenues:			
Interest	-	2 084 07	2 084 07
Special assessments	<u>13 514 14</u>	<u>-</u>	<u>13 514 14</u>
Total revenues	<u>13 514 14</u>	<u>2 084 07</u>	<u>15 598 21</u>
Expenditures:			
General government:			
Accounting department	-	21 75	21 75
Debt service	<u>13 619 75</u>	<u>-</u>	<u>13 619 75</u>
Total expenditures	<u>13 619 75</u>	<u>21 75</u>	<u>13 641 50</u>
Excess (deficiency) of revenues over expenditures	(105 61)	2 062 32	1 956 71
Fund balance, January 1	<u>105 61</u>	<u>-</u>	<u>105 61</u>
Fund balance, December 31	<u><u>-</u></u>	<u><u>2 062 32</u></u>	<u><u>2 062 32</u></u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

BALANCE SHEET – 2006 G.O. LIMITED TAX BONDS
CONSTRUCTION FUND
December 31, 2006

Assets

Investments	<u>970 305 77</u>
Total Assets	<u>970 305 77</u>

Liabilities and Fund Balances

Liabilities:

Due to other funds	<u>2 184 07</u>
Total liabilities	<u>2 184 07</u>

Fund balances:

Reserved for construction	<u>968 121 70</u>
Total fund balances	<u>968 121 70</u>

Total Liabilities and Fund Balances	<u>970 305 77</u>
-------------------------------------	-------------------

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
2006 G.O. LIMITED TAX BONDS CONSTRUCTION FUND
Year ended December 31, 2006

Revenues	<u>-</u>
Total revenues	<u>-</u>
Expenditures:	
General government:	
Accounting department	<u>21 75</u>
Total expenditures	<u>21 75</u>
Excess (deficiency) of revenues over expenditures	<u>(21 75)</u>
Other financing sources (uses):	
Bond proceeds	<u>968 143 45</u>
Total other financing sources (uses):	<u>968 143 45</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	968 121 70
Fund balance, January 1	<u>-</u>
Fund Balance, December 31	<u>968 121 70</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

COMBINING BALANCE SHEET – ALL AGENCY FUNDS
December 31, 2006

	Current Tax Collection Fund	Agency Fund	Total
<u>Assets</u>			
Cash in bank	-	4 000 10	4 000 10
Investments	1 156 638 97	-	1 156 638 97
Taxes receivable	<u>4 394 937 65</u>	<u>-</u>	<u>4 394 937 65</u>
Total Assets	<u>5 551 576 62</u>	<u>4 000 10</u>	<u>5 555 576 72</u>
<u>Liabilities</u>			
Liabilities:			
Due to General Fund	2 277 452 65	4 000 10	2 281 452 75
Due to Downtown Development Authority Fund	85 030 99	-	85 030 99
Due to Road Fund	283 461 66	-	283 461 66
Due to Bay County	2 389 029 37	-	2 389 029 37
Due to Bay Metro	326 024 04	-	326 024 04
Due to Delta College	28 690 44	-	28 690 44
Due to Bay Arenac Intermediate School District	72 605 78	-	72 605 78
Due to Essexville-Hampton School District	37 178 15	-	37 178 15
Due to Bay City School District	50 837 67	-	50 837 67
Due to others	<u>1 265 87</u>	<u>-</u>	<u>1 265 87</u>
Total Liabilities	<u>5 551 576 62</u>	<u>4 000 10</u>	<u>5 555 576 72</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS
Year ended December 31, 2006

	<u>Balance</u> <u>1/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/06</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in bank and investments	956 571 60	19 823 046 85	19 622 979 48	1 156 638 97
Taxes receivable	<u>5 350 423 37</u>	<u>19 081 476 14</u>	<u>20 036 961 86</u>	<u>4 394 937 65</u>
Total Assets	<u>6 306 994 97</u>	<u>38 904 522 99</u>	<u>39 659 941 34</u>	<u>5 551 576 62</u>
<u>Liabilities</u>				
Due to other units	3 856 358 91	16 075 995 17	17 026 722 76	2 905 631 32
Due to other funds	<u>2 450 636 06</u>	<u>2 791 565 96</u>	<u>2 596 256 72</u>	<u>2 645 945 30</u>
Total Liabilities	<u>6 306 994 97</u>	<u>18 867 561 13</u>	<u>19 622 979 48</u>	<u>5 551 576 62</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank and Investments	<u>4 000 10</u>	<u>168 578 16</u>	<u>168 578 16</u>	<u>4 000 10</u>
<u>Liabilities</u>				
Due to other units	-	146 146 99	146 146 99	-
Due to other funds	<u>4 000 10</u>	<u>22 431 17</u>	<u>22 431 17</u>	<u>4 000 10</u>
Total Liabilities	<u>4 000 10</u>	<u>168 578 16</u>	<u>168 578 16</u>	<u>4 000 10</u>
<u>TOTAL – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in bank and investments	960 571 70	19 991 625 01	19 791 557 64	1 160 639 07
Taxes receivable	<u>5 350 423 37</u>	<u>19 081 476 14</u>	<u>20 036 961 86</u>	<u>4 394 937 65</u>
Total Assets	<u>6 310 995 07</u>	<u>39 073 101 15</u>	<u>39 828 519 50</u>	<u>5 555 576 72</u>
<u>Liabilities</u>				
Due to other units	3 856 358 91	16 222 142 16	17 172 869 75	2 905 631 32
Due to other funds	<u>2 454 636 16</u>	<u>2 813 997 13</u>	<u>2 618 687 89</u>	<u>2 649 945 40</u>
Total Liabilities	<u>6 310 995 07</u>	<u>19 036 139 29</u>	<u>19 791 557 64</u>	<u>5 555 576 72</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

CURRENT TAX COLLECTION FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
Year ended December 31, 2006

Cash in bank and investments – beginning of year	<u>956 571 60</u>
Cash receipts:	
Tax collections:	
2005 tax roll	5 084 166 33
2006 tax roll	14 686 538 49
Interest income	<u>52 342 03</u>
Total cash receipts	<u>19 823 046 85</u>
Total beginning balance and cash receipts	<u>20 779 618 45</u>
Cash disbursements:	
Township General Fund	2 178 121 86
Township Downtown Development Authority Fund	152 065 57
Township Road Fund	251 395 08
Township Rosemary Court Debt Service Fund	14 674 21
Bay County	7 437 886 66
Bay Metro	290 050 51
Delta College	873 052 30
Bay Arenac Intermediate School District	2 148 405 71
Bay City School District	926 024 14
Essexville-Hampton School District	5 335 484 72
Refunds of overpayments	<u>15 818 72</u>
Total cash disbursements	<u>19 622 979 48</u>
Cash in Bank and Investments – End of Year	<u>1 156 638 97</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

AGENCY FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
Year ended December 31, 2006

Cash in bank – beginning of year	<u>4 000 10</u>
Cash receipts:	
Delinquent property taxes	7 562 31
Mobile home court fees	12 729 00
P.I.L.O.T.	142 948 49
Miscellaneous	<u>5 338 36</u>
Total cash receipts	<u>168 578 16</u>
Total beginning balance and cash receipts	<u>172 578 26</u>
Cash disbursements:	
Township General Fund	20 717 42
Township Road Fund	1 713 75
Bay County	39 104 86
Bay City School District	6 052 63
Bay Metro	1 977 40
Bay Arenac Intermediate School District	13 464 03
Delta College	5 605 24
State of Michigan	<u>79 942 83</u>
Total cash disbursements	<u>168 578 16</u>
Cash in Bank – End of Year	<u>4 000 10</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

January 22, 2007

To the Township Board
Charter Township of Hampton
Bay County, Michigan

We have audited the financial statements of the Charter Township of Hampton for the year ended December 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Charter Township of Hampton in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Charter Township of Hampton
Bay County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated December 31, 2006.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants